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ABSTRACT

Beginning with a theme article supplying teacher background material on the role of business in the community, this issue focuses on the profit motive, competition, and the use of resources. Four instructional units on this topic are included for young children. The pre-kindergarten unit, "Pancake Producers," has children observe workers cooking and serving pancakes at a real restaurant in preparation for starting their own "business." In "Family Coupon Company," the unit for first and second grade, clipping coupons and organizing a coupon company motivates students to contribute to the family budget while they earn money for themselves. The unit for third and fourth grade, "Kid Kards," has students combine their creative and organizational talents to produce and market their own stationary, greeting cards and notepaper, and the final unit "Classroom Commerce," intended for fifth and sixth grade, has students examine all the factors involved in producing a product or service and enables them to experience how supply and demand affect price. (JDH)

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BUSINESS IN THE COMMUNITY

BY

DR. DENNIS M. O'TOOLE

THE ELEMENTARY ECONOMIST
VOLUME 5, NO. 2

THE NATIONAL CENTER OF ECONOMIC
FOR CHILDREN EDUCATION
LESLEY COLLEGE
CAMBRIDGE, MA 02238

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The
Elementary Economist®
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THEME OF THIS ISSUE

BUSINESS IN THE COMMUNITY

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Pre-K	4	*PANCAKE PRODUCERS by Dee Ann Bishopp* *Observing workers cooking and serving pancakes at a real restaurant prepares pre-schoolers and kindergarteners to become pancake producers and consumers, too, of course!*
1-2	6	*FAMILY COUPON COMPANY by Dr. Sarah J. Snider* *Clipping coupons and organizing a coupon company can motivate youngsters to contribute to the family budget while they also earn money for themselves.*
3-4	8	*KID KARDS by Isobel Arvin and Bob Sabol* *Youngsters combine their creative and organizational talents to produce and market their own stationery, greeting cards and notepaper.*
5-6	10	*CLASSROOM COMMERCE by Mavis Arizzi* *Students examine all the factors involved in producing a product or service and experience how supply and demand affect price.*

Readers' Reactions:

"I wish to heartily applaud your efforts in this critical area of children's education. I am most impressed with your publication, the quality of its content and the philosophy that supports it. It is my belief that your organization will likely have a greater impact upon the continuation of our economic system than any effort I have heard of or read about. I am interested in placing a copy of this publication in the hands of each elementary principal in our school system." **Keith A. Brown, Assistant Superintendent, Elementary Education, Metropolitan School District of Perry Township, Indianapolis, IN.**

"It helps broaden my background information in teaching simple economics to young American children. At least I made them better students in this economically troubled world." **Florentina Campbell, Teacher, Parma Heights, OH.**

"An excellent resource for teaching economics to elementary and secondary teachers." **Carol A. Khadjenouri, Assoc. Director, Center for Economic Education, San Francisco State University, CA.**

Center News

Fourth Annual Meeting of Center Trustees and National Advisory Board

The Marriott Corporation of Washington, D.C. hosted the fourth Annual Meeting of the Board of Trustees and National Advisory Board of the Center at the Marriott Long Wharf in Boston on November 7. The full-day meeting began with a session which focused on the National Center's present and future program plans aimed at increasing the level of economic literacy among elementary school students, teachers and other related adult audiences. To achieve its objectives the Center staff has developed (1) a national journal of economic activities for teachers of children in preschool through sixth grade, (2) economic lesson plans and community-based curriculum materials for grades 3 and 4 (5-6 and 1-2 in progress), and (3) inservice workshops conducted in public and private schools throughout the country.

The National Center of Economic Education for Children is a nonprofit organization whose efforts are funded largely by contributions from corporations, foundations and individuals, and in part by sale of materials and services. None of the Center's achievements, however, would have been possible without the direction and support of its dedicated board of trustees and advisors, many of whom have been committed to the Center's mission since its inception. The Center's trustees and advisors are influential leaders from the academic, corporate, financial, legal and media sectors. They are as follows:

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Among those in attendance at the reception of the National Center's Fourth Annual Meeting are, from left to right, Mr. James Connors, Executive Director of the Economic Education Council of Massachusetts, Dr. Gerard T. Indelicato, Special Assistant to the Governor of Massachusetts for Educational Affairs, Dr. Robert R. Spillane, Boston Superintendent of Schools and Mr. Eliot I. Snider, Chairman of the Center's Board of Trustees.

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Knoxville, Tennessee

Program Fellows are economic educators from across the country who assume a leadership position in facilitating the Center's programs at the elementary level within their area.

Business in the Community

by Dr. Dennis M. O'Toole

Dr. O'Toole is Associate Professor of Economics at Virginia Commonwealth University and also serves as Associate Dean of the School of Business. Previously, he was Executive Vice President of the Virginia Council on Economic Education and Director of the Economic Literacy Project for the California State College and University System.

Business plays a vital role in every community. Imagine what would happen if all of the businesses in your community would suddenly disappear. Where would people get food, clothing, hair cuts, cars, etc.? In addition, where would people get their income? The community could not exist without the goods and services and income which businesses provide. The reason for this is that most individuals in the U.S. economy have become interdependent. They have specialized in a particular job such as teaching. Therefore, most of us rely on others to produce the goods and services we consume. The economic unit that converts resources into goods and services that satisfy people's wants is business. Resources fall into the following three types:

1. **Human Resources**, commonly called labor, consist of the knowledge, skills, and human energy which an individual possesses. The income return to labor is called wages.

2. **Capital Resources** are man-made means of production. Capital resources are not completely consumed in production but are available for future production such as a machine used in the making of an automobile. The income return to capital resources is called interest.

3. **Natural Resources** are those same materials provided by nature such as trees, petroleum, and land. The renumeration to owners of the natural resources is called rent.

Most goods and services can be produced by using different combinations of these resources. For instance, a wrist watch can be made by using mostly human resources with fewer capital resources or it can be made by using primarily capital and automated robots and using fewer human resources. The decision on the combination of resources used has a tremendous impact on who receives income. If mostly human resources are used in producing a wrist watch, labor will receive a larger share of the income. However, if mostly capital resources are used, then those who own capital resources will get the largest share. Who decides the combination of resources to be used in producing goods and services? The decision is made mainly by business firms.

Developing a more complete understanding of what producers do and how they make production decisions is essential for children in order to have a working knowledge of the U.S. economy. Also, it is important because children often organize their resources (desks, time, paper, pencils) to produce acceptable worksheets. At home, children often do chores like cleaning their rooms, raking leaves or even starting a neighborhood business like a lemonade stand.

Two essential ingredients to understanding the production process are: (1) the profit motive, and (2) competition.

THE PROFIT MOTIVE

The engine that drives the economic system is the profit motive. The possibility of making a profit normally brings about 500,000 new business firms into existence every year. However, approximately 425,000 enterprises fail each year. The average American operating firm lasts about eight years.

Individuals who take a risk and start a business are called entrepreneurs. Successful entrepreneurs are those that produce a good or service that consumers are willing to buy at a price above the cost of producing it. The difference between the receipts from selling a product and the cost of producing a product is called profit. The American economic system rewards, with profits, innovative entrepreneurs that produce goods and services that are successful. Profits are generally a sign that producers are providing goods or services that are satisfying consumer wants. For instance, six years ago when the Apple computer was first introduced as one of the first personal computers, large profits were made by the two entrepreneurs that developed the Apple computer. These profits were a signal by consumers that producers should shift more resources (human, capital and natural) into personal computers. However, if the Apple computer would have resulted in losses, more resources probably would not have been shifted to the personal computer field. Thus, entrepreneurs attempt to provide goods and services that consumers will buy; when they are successful they will make a profit and in turn will provide more of these goods and services. The profit motive encourages innovation. However, it is possible that entrepreneurs will provide goods and services that consumers will not buy. These goods and services will eventually be discontinued.

COMPETITION

If the profit motive is the engine that drives the market system, competition is the regulator of the economy. Competition occurs when two or more rival firms produce a similar product or service (competition may also occur in the resources market). Initially, increased consumer demand for particular products or services usually results in higher prices and higher producer

(continued on back page)

Pancake Producers

by Dee Ann Bishopp

Dee Ann Bishopp began teaching kindergarten at Erickson School in Tucson, Arizona this fall. Previously she was head teacher at St. Paul's Methodist Pre-School in Tucson for nine years.

Business in the Community

Young children are consumers, and observe people producing goods and services. They know that parents have jobs and earn money to buy things for the family. They may even have had some experience in earning money by doing small jobs at home. Like businesspeople, who produce goods and services, children are producers too. They create artwork, complete worksheets, string beads and build block houses. Generally, young children have only a vague idea, at best, of what is involved in a business. Although they observe people at work they may not appreciate that business people are producers who bring workers, materials, equipment, etc. together to create goods and services for people in their community.

Planned educational experiences can involve children in observing community businesses and running their own classroom business. This increases their understanding of how businesses are organized and operate, and leads to an appreciation of how their immediate community functions.

Student Goals

1. Understand factors involved in organizing and operating a business.
2. Observe the division of labor and participate in a cooperative effort to produce a product.
3. Understand the role of money, and how money is used and reused in the community.
4. Understand the community's need for a variety of businesses and the interdependence of people and businesses.

Teaching Activities

I. Visiting a Pancake Restaurant

language arts • observation • discussion skills

Reading a book such as *Pancakes, Pancakes* by Eric Carle (Knopf, 1970) or *Round as a Pancake* by Joan Sullivan (Holt, Rinehart, and Winston, 1973) can lead to a discussion about pancakes and how they are made. It can also generate interest in visiting behind the scenes of a local pancake restaurant.

Before the trip, talk about workers that children might expect to see, and the supplies and equipment a restaurant might need. Plan the restaurant visit so that children spend most of the time in the kitchen observing the preparation, cooking and cleaning up. Back in class, discuss setting up a classroom restaurant (Activity III), then plan a trip to the supermarket to buy the supplies needed.

II. Visiting a Supermarket

observation • art • discussion skills

Prepare the children for a pre-arranged learning trip to the supermarket. This can include visiting the back room to see food being delivered and readied for stocking. While shopping for pancake ingredients, point out how the merchandise is organized in sections by types of food, which makes it easier to find things. Observe the variety of workers in the store and their different responsibilities. Mention how they all work together to keep the store running smoothly. Follow the trip with a discussion and have children draw pictures of what they observed.

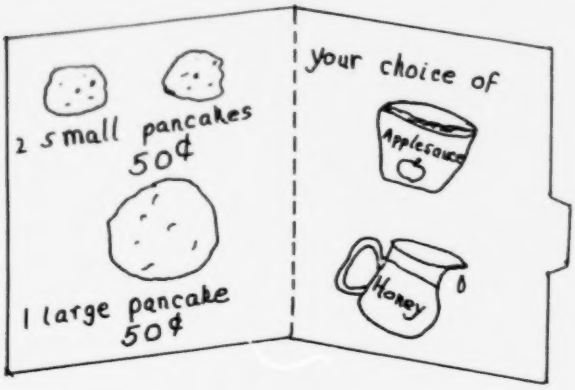
III. Classroom Restaurant

drama • language arts • math

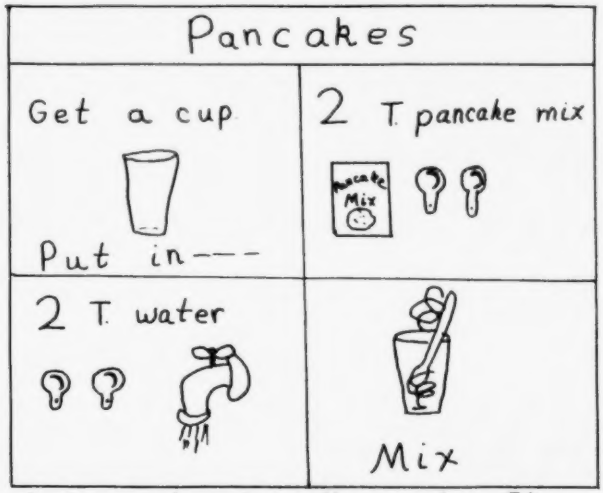
The pancake restaurant can be run on consecutive days, so that each child has an opportunity to be a customer and a worker (at one or more of the jobs). Explain to the children that their restaurant needs workers just like the one they visited. Ask if they can recall the workers they saw and identify those needed (a cook to mix pancakes, fry cook, waiter or waitress and cashier).

Ask them if they can remember the tools or equipment workers used (bowl, spoon, spatula, griddle, etc.). Paper plates can be used, but all the "employees" can help with clean-up after the business closes. Props make the experience more realistic, and they can include play money and cash register, purses and wallets, an Open-Closed sign, menu made from a file folder

and laminated, a waiter's apron with a pocket for note pad and pencil, and chef's hats and aprons. Sometimes fast food chains will supply a paper hat for each worker, or children can make chef's hats from white paper bags.



A large picture recipe should be posted for the cook to follow. Pancakes can be cooked in an electric skillet that is placed in a box with sides slightly higher than the pan's sides. This prevents children's arms from touching the hot skillet edges. An adult, perhaps a parent, must stay with the skillet at all times. It is helpful to have another adult with the child mixing the batter so that the teacher can help children with the "dining room" activities.

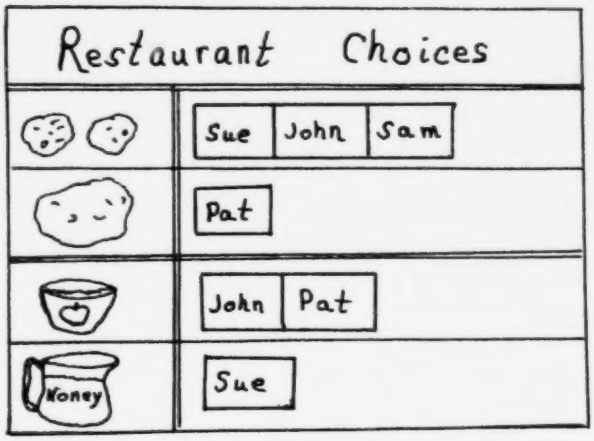


Recipe makes 2 small pancakes. It can be adjusted to make more at once.

Young customers can choose to have one big pancake or two small ones, and can choose between two toppings, such as apple sauce or honey.

When the restaurant closes, workers will be paid equally with restaurant earnings. The play money can be saved to use in the grocery store to be set up later.

Follow-up can include children graphing their pancakes and topping choices.



IV. Classroom Grocery Store

classification • language arts • dramatic play

In advance, ask parents to send in empty boxes, bags and cans for use in the store. Ask that cans be opened from the bottom with any sharp edges pressed smooth. Workers needed are cashiers, sackers, stockers and customers. When the Closed sign goes up, "groceries" will be put back into proper areas: frozen foods together, cereals in one section, canned foods together, etc.

Explain to the children that the money they saved as workers in the restaurant, they can now use as customers in the grocery store. Also, that the money they pay for groceries will be used to pay the workers in the store. Again, the store may be open for several days, so that each child has the opportunity to be a customer and a worker in the store.

V. Model Community

art • dramatic play • interdependence

At the conclusion of the study, the interdependence of community people and businesses can be demonstrated by having the children make a model community with streets, trees, and cereal box buildings to house homes and essential businesses and services, such as barber shops, banks, etc. The model can be set up on a table covered with an oil cloth or large pieces of poster paper. Streets can be drawn with felt tip markers and children can bring in cars and trucks from home for added realism. To reinforce learning ask the children questions such as:

Where can the restaurant owner put his/her money?

Where can the barber buy his breakfast?

Where do the barber and waitress buy food they need at home?

Teaching Activities 1-2

Family Coupon Company

by Dr. Sarah J. Snider

Dr. Sarah J. Snider taught in secondary schools and at the college and university level for many years. She is currently a parent volunteer in the Farragut Schools in Knox County, Tennessee.

Business in the Community

Children can understand what they experience much more easily than what they are simply told about. Children more commonly experience business and the economy as consumers. By forming a coupon company, children can appreciate the planning and decision making involved both in operating a business and in being careful consumers.

Using coupons as currency, children can begin immediately to contribute to the family budget and experience decision making first hand. They can develop a sense of pride as family members and as citizens as they weigh each personal expenditure and consider its impact on their personal financial situation and the economy of the nation.

Student Goals

1. To use newspapers and printed materials with a purpose.
2. To practice reading and math skills.
3. To develop skills in organizing and keeping records.
4. To become involved in the family budget and develop money management skills by earning and spending money.
5. To develop personal pride and family responsibility.
6. To develop skills in functioning as group members and in conducting business meetings.

Teaching Activities

I. Participation in the Family Economy

reading • math • discussion

Talk with the children about ways the family spends money (for food, clothing, transportation, entertainment, etc.). Then discuss how the family obtains money. Ask the children if they contribute to the family income and explore ways they could contribute.

Introduce coupons as a form of currency. Coupons are worth money toward the purchase of particular products, during a particular time period. Discuss various sources of obtaining coupons (newspapers, magazines, mail offers, on or inside product packaging). Explain to students that by using coupons, they can contribute to the family budget and also earn money for their own use. The value of every coupon that the student finds that his/her parent uses toward the cost of a regularly purchased item is split between the family and the student—half goes into the family budget and half goes to the child (for his/her personal use). Students become highly motivated to participate in the family economy and to contribute as family members.

Send a memo home to parents explaining how the coupon project works. Ask for their participation and explain the benefits to their children (see Student Goals), however, explain that participation is not mandatory. Request parents' comments and suggestions as the project progresses.

Offer students the following suggestions as to how to begin:

1. Look through newspapers and flyers in the mail each day and clip any coupons you find. Check expiration date.
2. Make a deal with your parent(s) that half the value of each coupon used is paid to you and half goes into the family budget.
3. Go grocery shopping with your parent(s) and present coupons for items your parent is purchasing.
4. Keep a record of each coupon used and its value.
5. Add the amounts of all coupons used and divide by two to figure how much you contributed to the family and how much you earned for yourself. (Ask for parents' help.)

II. Developing a Personal Business

math • discussion • record keeping

Ask students to bring their personal records to class at a specific time. Share samples of record keeping. Use students' records as math drills by writing amounts from student records on chalkboard and having students add them aloud and divide the sum with you. Discuss how much various students contributed to the family budget. Total (on the board) how much students contributed together. Discuss how students used their personal share.

Bring up the fact of expenses involved in operating a business. Ask what their expenses are (pencils, paper, coupon/file organizer, clipboard). Ask if their parents share expenses. Explain that in running any business there are resources (tools, materials, equipment, etc.) that must be paid for before the owner takes his/her share of the profits. Suggest that they reconsider their record keeping to reflect their expenses. Develop a Company Worksheet.

PARENT CORNER: *Your child can become your shopping coupon helper by handing him/her the coupon to match with the correct brand of food or other product.*

David & P, COMPANY WORKSHEET
FARRAGUT FAMILY SAVINGS COUPON COMPANY

DATE	ITEM	COUPON AMOUNT	DATE	ITEM	AMOUNT
9-25	AC	.50	9-25	Pen	.15
	Nehi	.35			
9-29	Lipton	25¢			

TOTAL REVENUE (Add entries in coupon amount column): $ 1.10
TOTAL EXPENSES (Add entries in expenses column): $ .15

TOTAL REVENUE $ 1.10
- TOTAL EXPENSES $ - .15 (Subtract total expenses from total revenue to get net profit)
= NET PROFIT: $ .95

(Divide Net Profit by 2 to get your share) NET PROFIT $ .95 ÷ 2 = $ .47½ YOUR SHARE

III. Becoming Efficient and Accurate
organizing • record keeping • filing • writing

A. Organizing Shopping: After students have used coupons for a few weeks, talk with them about how their business is operating. Ask such questions as:

1. Does it take longer to shop when you help with the coupons? Do you use your own separate cart to collect coupon items?
2. How do you keep track of the value of the coupons used? Do you list the items on the worksheet?
3. How do you organize your coupons at home? (at the store?)
4. What materials, tools (paper, pencils), do you need?

B. Organizing Filing: Encourage various students to demonstrate how their coupons are organized. Find one who has devised a logical filing system. Discuss various ways of filing coupons (alphabetically by brand name, by types of products, e.g. desserts, household items, drinks, pet foods). Ask students what materials they use in organizing coupons (file box, cardboard dividers, file folders). The group may want to develop a standard form for organizing coupons, since record keeping will be easier if they form a company later.

C. Using a Coupon Bank and Item Inventory: Ask students what they do with coupons they find that their family doesn't use. Suggest they keep a classroom Coupon Bank (a large box) of those coupons they don't use that others might want. Students will trade coupons they can't use for those they can. It will be easiser for students to use the bank if they make a list of the brands their family uses so they will recognize them. Develop an Item Inventory to be sent home (with a note to parents explaining the purpose of the bank and inventory).

IV. Spending Earnings Impacts the Economy

Ask students to bring in samples of things they have bought and tell about ways they have spent their earnings. Ask if they know how much they have spent and earned. Ask how the money they spend affects other people in the community. Use an example from a student, "I spent my 75¢ last week at the video arcade," and trace it through the system: part of the 75¢ went to the workers at the arcade; part went to the owner; part paid for the materials in the machine; part paid the people who made the machine; part paid the people who sold the machine; part paid the people who transported the machine. Let them see their participation in the economy of their community and of the entire country. Discuss how money flows through the economy. They develop a sense of awe at their own significance in the national economy as a result of their little business.

V. Classroom Coupon Company
group skills • math • critical thinking

Some students may want to form a classroom coupon company in order to more fully share their own experiences. This can best be done by getting a parent/community volunteer to serve as consultant and provide one hour each week for company business. During the first meeting, students should discuss the purposes and functions of the company. Such as:

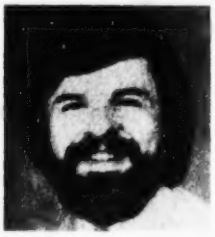
1. Elect company officers and discuss duties.
2. Keep records showing how much each member earns each week and compile records to show total company earnings.
3. Discuss their significance as contributors to their families' budgets.
4. Discuss their individual and total earnings and various ways of using their earnings (individually and/or as a group).
5. Discuss various ways company members can contribute or have value to the group.
6. Discuss using coupons and being wise consumers. (When is it *not* wise to use a coupon?)
7. Publicize their activities in order to encourage other children to start a coupon business.

At the second meeting, company officials should be elected. If each company has ten or fewer members, a position can be available to each member by having a Vice-, Co-, or Assistant everything. The consultant should train the president and vice president, treasurer and assistant treasurer, recording secretary and corresponding secretary, etc., as teams. Elections are held periodically so that trained members can move up and then train the person who is elected to the vacated position.

FARRAGUT FAMILY SAVINGS COUPON COMPANY
MONTHLY REPORT FOR THE MONTH OF October, 1982

PARTNER	DATE(S)	TOTAL REVENUE	EXPENSES	NET PROFIT	FAMILY BUDGET	PERSONAL INCOME	MONTHLY TOTAL PERSONAL INCOME
BALANCE FORWARD FROM LAST REPORT		$ 27.88	$ 3.68	$ 24.20	$ 12.10	$ 12.10	$ 12.10
Ann	10-6	$ 2.37	$ .35	$ 2.02	$ 1.01	$ 1.01	
	10-14	$ .75	$	$ .75	$ .37½	$ .37½	
	10-21	$ 3.00	$ .25	$ 2.75	$ 1.37½	$ 1.37½	
		$	$	$	$	$	2.76
Bradley	10-1-3	$ 1.59	$ .10	$ 1.49	$ .74½	$ .74½	
	10-8-11	$ 1.95	$ .10	$ 1.85	$ .92½	$ .92½	
	10-19	$ 2.26	$ .10	$ 2.16	$ 1.08	$ 1.08	
		$	$	$	$	$	2.75
PAGE TOTALS		$ 39.80	$ 4.58	$ 35.22	$ 17.61	$ 17.61	$ 17.61

Teaching Activities 3-4



Kid Kards

by Isobel Arvin and Bob Sabol

Isobel Arvin is currently teaching a self-contained class of gifted third and fourth grade students in Crawfordsville, Indiana. Bob Sabol has taught elementary art in Crawfordsville for the past eleven years. Their KID KARDS project won an Olin W. Davis Award for exemplary teaching of economics in Indiana.

Business in the Community

What is involved in manufacturing a product? Children, as consumers, purchase attractively packaged goods with little realization of all that is involved in the actual production.

Forming and financing a corporation, and producing and marketing a product allows children to develop an understanding of the roles of resources, labor, and decision making in the operation of a company. Students involved in KID KARDS engaged in all aspects of running a business as they produced and sold stationery, greeting cards, and notepads. A classroom teacher, an art teacher, a retailer, a banker, an accountant, a radio advertising specialist, a lawyer and a real estate agent combined efforts to guide students in this project. Only the production activities are summarized here.

Student Goals

1. To understand that resources are necessary for production.
2. To experience the division of labor in production.
3. To understand the importance and need for quality control.
4. To make decisions regarding production quotas, prices and sale of goods.
5. To allow children to use their creativity in the production of goods.

Teaching Activities

I. Choosing a Product

decision making • creative thinking

Together with the classroom teacher and the art teacher children can decide on products that can be made and sold by the class. Use of the following criteria will aid students in deciding what item(s) to produce and sell:

Is there a need or desire for the product?

Is there a scarcity of this product?

Are the resources needed for production available?

Do we have the skills to produce the goods?

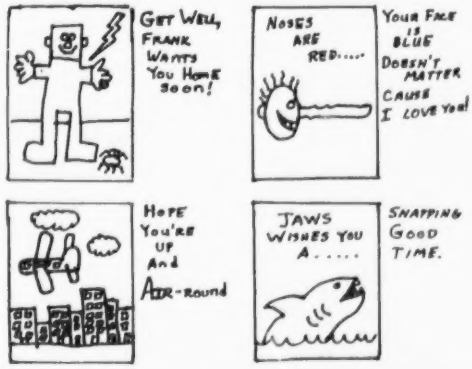
After evaluating which products best met the criteria, the students engaged in KID KARDS decided to make stationery, greeting cards and notepads.

II. Production Process

decision making • planning • sequencing work

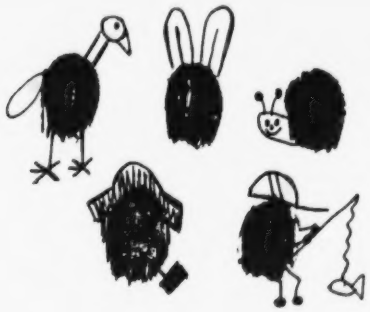
Once students have decided what to produce, the resources (materials and equipment) needed for production must be discussed and secured. Students can make a list of items and possible means of obtaining them. KID KARDS students contracted with a simulated art company, i.e., the Sabol Art Company (formed by their art teacher), for many of their resources. Additional resources were purchased by the student purchasing agents from local markets (with parental/adult involvement).

The art teacher can guide students in the planning and making of the products. Each student in KID KARDS created a greeting card to be included in a package of assorted cards. First the child sketched a picture and a message to be used for the card. The student then drew the picture on a quarter-sheet of a ditto master and printed the message on another quarter-sheet of ditto master paper. The school secretary was contracted (terms can be negotiated) to ditto 50 copies of each child's card on colored construction paper. Students then added color to their cards with magic markers or water colors.

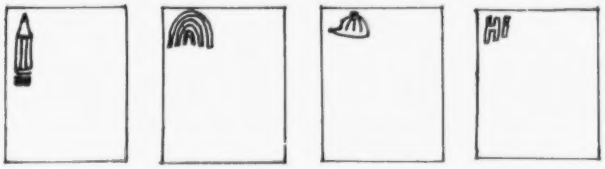


Thumb print designs can be used to make notepads. KID KARDS participants each stamped a minimum of 200 thumb prints in the corner of a 4" x 5" sheet of paper. Black pens were used to turn the thumb prints into imaginary characters or objects. Finished products consisted of two designs created by each child combined into a 38-page notepad. Each notepad was backed by a 4" x 5" rectangle of cardboard. Stacks of notepads were piled together and "painted" (bound) with glue at one end.

PARENT CORNER: *When shopping with your children for greeting cards, notepaper or stationery, point out the art work; ask which they like best and which they think costs more to make.*



Potato printing can be employed to produce stationery. Each KID KARDS participant carved a design on a potato. Poster paint was brushed on the design. Each child printed 50 sheets of stationery.



III. Quality Counts

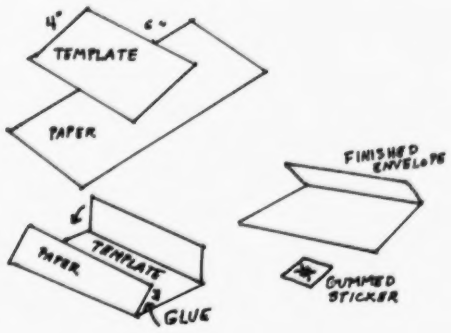
quality control • discipline • critical thinking

Quality control is an important aspect of production. Demonstrate neatly and poorly made products to the students. Ask which product would they choose and why? Students can then discuss the importance of maintaining high production standards (neatness, clarity, uniformity). Manufacturing managers were selected to conduct regular inspections of products to insure high quality.

IV. Dividing the Labor

working cooperatively • sequencing assembly

While all students participate in producing the stationery, greeting cards, and notepads, a division of labor is needed to produce the packages. Discuss the steps involved. One group can make folders to package greeting cards while another group makes packages for stationery.



Because of the large quantity needed, all students must help make envelopes for stationery and greeting cards. A 4" x 6" rectangular cardboard template can be used to help children get a uniform fold to form an envelope. Some groups of students folded envelopes while others cut squares of gummed tape to be used as seals for envelopes. KID KARDS subcontracted the gluing of the ends of the envelopes to another class.

Assembly lines can be employed to package products. The assembly line needs to be activated three times to package stationery, greeting cards and notepads. Student's desks can be arranged into a line or an oval. Each student, with his/her product on his/her desk, adds his/her product and passes the pile to the next student. At the end of the line, the final product is complete and placed in a package.

V. Production Quotas

decision making • estimating • math

Class discussion can be utilized to help decide how much of each product can be made. Guiding questions can be:

How long does it take to make one of each item?

How much of each item can we make in the time we have? How long does packaging take?

Is there a demand for our product? How many items do we think family members/teachers will buy?

Once decisions regarding quotas have been made, math can be employed to check on production. Examples:

1. We need to make 2400 envelopes. Last week we made 600 envelopes. How many do we still need to make? (2,400 – 600 = 1,800)
2. If each of 3 groups of children fold 100 envelopes a day, how many days will it take to fold the remaining envelopes (1,800 ÷ 300 = 6)

VI. Market Research

math • collecting data • decision making

Students can conduct a market research project with parents, teachers and neighbors to help them in price setting. Survey questions could be:

1. What would you be willing to pay for a package of 19 sheets of stationery and 19 envelopes designed by children?
2. What would you be willing to pay for a package of 19 greeting cards designed and produced by children?
3. What would you be willing to pay for a pad of notepaper with a hand-made design on each page?

Students can use calculators to summarize the data collected from the survey. By totalling the suggested prices for *each* product and dividing the total by the number of prices suggested, students can determine an average price for each item and make decisions about selling prices. Remind students of their expenses (materials, radio advertising, booth rental at the PTO fair) and that these must be paid before estimating their profits.

Teaching Activities 5-6

Classroom Commerce

by Mavis Arizzi

Mavis Arizzi is a media specialist at three elementary schools in Jay County, Indiana. She has satisfied an interest in economics by developing teaching activities that are related to children's books or research skills.

Business in the Community

Students are familiar with local businesses from the consumer point of view, but they may not be aware of these businesses as producers of goods and services. Students can realize that in the process of supplying products and services to the community, businesspeople must constantly weigh alternatives and make decisions.

As students learn how businesses operate, how they influence and are influenced by the community's economic situation, they can begin to predict future trends. They can see that people's wants and needs change and that businesses must regularly evaluate their present and future roles in society.

Student Goals

1. Identify factors of production (natural resources, labor and capital goods).
2. Recognize producers as those who supply goods and services that people want and need.
3. Understand the effect of supply and demand on price and profits.
4. Realize how competition affects business and the consumer, and that profit is vital to business.

Teaching Activities

I. Businesspeople are Producers

concept building • analyzing • discussion

Students may not realize how many concepts related to business they already understand until given the opportunity to examine businesses in their vicinity. Ask the class to name ten businesses in their community. Write a master list on the chalkboard. Ask students to determine which businesses listed make or provide an *item* that people want or need (tractor manufacturer, seed company, clothing store). List those companies on the board under the heading "Produce a Good." Ask which businesses provide or perform a *service* people want or need (weed control, dry cleaning, doctor). List those businesses under the heading "Provide a Service." Instruct students to think about ways in which the ten businesses are similar and different. Suggested questions: (1) Do any of them use the same *natural resources* to make their product or provide their service? (i.e. minerals, oil, land, water, air, trees) (2) Which businesses require similar jobs or types of labor? (These are *human resources*.) (3) Which businesses rely heavily on machinery, equipment or factories in order to produce their product or service? (These are called *capital goods or resources*.) (4) Which companies use mostly machinery and little labor? Which use more human labor than machinery? Explain to the class that almost every business uses a combination of *natural resources*, *labor* and *capital goods* to produce a product or service. These three things are called the factors of production.

Invite a local businessperson (manufacturer is suggested) to visit the classroom to explain how he/she decides how much equipment or machinery to buy, how many people to hire and how much raw material is needed to operate the business. Develop questions related to why and how businesspeople vary the factors of production. (For example, if the cost of labor rises, will machinery be purchased to produce the work instead? What circumstances would cause this to happen? How can the computer (for example) save on labor costs? If oil or gasoline costs rise, does that change the way you operate your business?)

II. Producers Need Resources

observation • analyzing • categorizing

Using the master list of ten community businesses, instruct the class to identify (on paper) one natural resource, one type of job and one type of capital good used to produce the good or service produced at each company. For example,

Community Business	Natural Resource	Job/Human Resource	Capital Good
Bill's Weed Control	oil	truck driver	sprayer
Patterson's Farm	land	plow operator	plow
Regional Electric	water	meter reader	generator
Lewis Lumber	trees	lumberjack	power saw

Select the main product or service of one business and dissect that product/service according to its resource components. For example, using corn as the main product at Patterson's Farm, list all the *natural resources* (land, water, sun, air), the *labor/human resources* (plow operator, truck driver, etc.) and the *capital goods* (plow, tractor, silo, truck) that are involved in producing this one item.

Note: A sound filmstrip entitled *"Understanding Our Economic System"* (Learning Tree Publishing, Inc., Englewood, CO) can be used to introduce concepts.

PARENT CORNER: *Before children begin big jobs or projects at home, ask them what equipment/materials they'll need, how they plan to organize the job and how long they think it will take.*

III. Producers are Consumers

observation • analyzing • concept building

Ask the class who supplies the factors of production to the farmer. Guide students to realize that the farmer must not only purchase goods and services for personal use but must also purchase land, buy seeds, pay for labor and buy machinery and buildings in order to produce the corn. Therefore, besides being a producer, the farmer is also a consumer (one who *buys* goods and services). Extend the consumer concept by having students make a chart showing (1) the goods and/or services that a business provides and (2) what goods and services are purchased for business and personal use. For example,

Type of Business FARM

Goods/Services Produced	Goods/Services Purchased (Business)	Goods/Services Purchased (Personal)
wheat soybeans corn beef	tractor seeds fertilizer gasoline weed control insurance	food clothing electricity car medicine TV. repair

IV. Supply and Demand: What's It Worth?

recording • analyzing • graphing

Many students wonder how the price of a particular product is determined. The price of a particular product or service is determined, not only by the costs of production but also, by the supply of and demand for that product or service. To demonstrate the concept of *supply*, tell the class that you are a rancher with miles of fencing around your property that you want painted. Ask each student how many hours of their time they would *supply* to paint fences at $.50/hr., $1.50/hr., $5.00/hr., and $10.00/hr. (List the four hourly rates on the board.) Record and total the number of hours each student would work at each hourly rate. Students will see that at a higher hourly rate they are willing to supply more hours of service. Since the benefits are greater, they are willing to give up more time.

To reinforce the concept, ask them to pretend they are sporting good manufacturers. Ask them, "If they made a basketball that cost them $7.00 to produce, how many would they want to supply for sale at $2.00 each; $5.00; $10.00 and $25.00? Why? At higher prices a producer is willing to supply more of a particular product because of higher profits. Explain that supply is the amount of a product or service that producers will make available at certain prices at a given time.

To demonstrate the concept of *demand*, auction-off a bag of peanuts. Ask the class, "How many would buy this bag of peanuts at 5¢? Record the number of students. Then ask, "How many would buy this bag of peanuts if it costs 25¢?" (50¢?, $1.00?, $2.50?) Students can raise their hands for each price they would be willing to pay. Record results at each price. At lower prices people will demand more of a good or service and at higher prices they will demand less. Explain that *demand* is the amount of an item consumers are willing and able to buy at a given price and at a given time. The demand for that item will vary as people's tastes, income, price expectations, and the populations change. Students can graph or illustrate results.

Ask the class if they can think of items that have recently been in great demand (video games, personal computers, stickers, Cabbage Patch dolls). Do they think these items will always be in demand? Why? (Fads, tastes and needs change, different or better products are made.) Use the example of video games or small radio/tape cassettes to demonstrate that when the demand for a product is great and the supply is low, the price is high. When the supply increases and the demand for the product stays the same or falls, the prices goes down. Initially, when few companies were producing a small quantity of video games, the supply was limited. Demand was high and the price was high. When more companies began making them, the quantity supplied was great. The demand was the same or less (tastes change, more products to choose from) and prices fell.

V. Competition: Retail Rivalry

concept building • discussion • reviewing

When someone has a successful idea, other people usually try to imitate it. People often compete to be the best. Ask students if they can recall instances when they have been in competition with others (class projects, reports, artwork, athletics). Ask them if a friend started a neighborhood business (yardwork, shovelling) and was very successful, might they also want to start a similar business? That's how it is in business: people try to create and imitate successful ideas because they are more profitable than other alternatives. People are in business to make a *profit*: i.e., to make *more* money than it costs to provide the product or service. Businesspeople don't stay in business unless they are making a *profit*.

Ask a student to write on the board one product that is very popular and produced by many companies (car, TV, stereo, cereal, candy). Ask the class to list all the different companies (brand names) that make that item. Ask, "Does it benefit consumers to have many companies making one item? Why?" (Shop for variety, price, quality, service, etc. Competition makes people work harder to produce something better at less cost. Competition keeps prices lower.) Review supply and demand.

(continued from page 3)

profits, but the increased profits will normally result in more firms entering the industry. However, as more firms enter the industry, supply of the product will increase and producer profits will fall. As prices and profits fall, inefficient high cost producers are forced out of the market. Again, the personal computer industry illustrates this series of events. Six years ago, the price of the first personal computer was much higher than it is today. The higher price and higher profits induced a number of competitors (such as IBM, Texas Instruments, Atari, Commodore, Osborne, Radio Shack, etc.) to enter the personal computer market that was initially started by Apple. As these firms entered the personal computer market and supply increased, product prices began to fall and so did producer profits. As product prices fell, many of these computer firms such as Osborne and Texas Instruments were not able to cover their resource costs in this market and were forced to leave the personal computer field. Thus, in a market system, it can be predicted that increased competition will lead to lower consumer prices, lower producer profits, and increased output. This principle is just as applicable to airplane tickets, Rubik's cubes, hand calculators, Cabbage Patch dolls and millions of other goods and services as it is to personal computers. However, there are certain industries where competition is limited through legal barriers such as patents and copyrights or entry barriers such as high advertising costs or high equipment costs. In industries where there is a limited degree of competition, the predicted effects may not occur.

SUMMARY

Business plays an essen... ...every community. Because of specialization of labor, business firms produce the goods and services that most communities consume and provide most of the incomes. All business firms and students in their roles as producers must answer the following two questions: (1) What goods and services should they produce? (2) How should the resources (human, capital and natural) be combined?

The answer to these questions in a market system is that firms will produce the goods and services that they think consumers will buy at a price above the cost of production. If they anticipate the consumer demand correctly, they will make a profit and will continue to produce. But if consumers don't buy the products, the firm will make a loss and stop producing the product. Goods and services that are profitable generally attract competitors who will try to produce a similar product at a lower price. Competitive firms will try to achieve the lowest cost combination of resources in producing a product. Consequently, increased competition usually results in more output and lower consumer prices, reduced producer profits and lower production costs.

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